Condensed Interim Consolidated Financial Statements

Canada House Wellness Group Inc.

Three and Nine Months Ended January 31, 2019 and 2018
(Stated in thousands of Canadian Dollars, except for share, option and warrant information)
(Unaudited)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Canada House Wellness Group Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Financial Position
As at January 31, 2019 and April 30, 2018
(Stated in thousands of Canadian Dollars, except for share, option and warrant information)
(Unaudited)

	January 31, 2019	April 30, 2018
Assets		
Current Assets		
Cash	$ 2,638	$ 8,953
Trade and other receivables	686	496
Prepaid expenses and deposits	327	84
Inventory (note 4)	42	-
Sales tax receivable	1,342	768
Current portion of loan receivable (note 5)	10	10
	5,045	10,311
Loan Receivable (note 5)	-	10
Property, Plant and Equipment, net (note 6)	7,331	4,466
Intangible Assets, net (notes 7, 13 and 21)	4,085	263
	$ 16,461	$ 15,050
Current Liabilities		
Trade and other payables	$ 3,725	$ 3,077
Due to shareholders (note 8)	105	125
Sales taxes payable	410	387
Income taxes payable	44	44
Current portion of long-term debt (note 12)	7	8
	4,291	3,641
Convertible Debentures (note 11)	321	1,687
Long-Term Debt (note 12)	143	22
Deferred Income Tax Liabilities	-	516
Deferred Lease Inducement	-	3
Purchase Consideration Payable (note 2c)	3,744	3,117
	8,499	8,986
Shareholders' Equity		
Share capital (notes 13 and 21)	32,221	23,473
Contributed Surplus	10,967	8,249
Equity component of convertible debentures (note 11)	231	1,498
Retained earnings (accumulated deficit)	(35,457)	(27,156)
Total liabilities and shareholders' equity	7,962	6,064
	$ 16,461	$ 15,050

Nature of Operations and Going Concern Uncertainty (note 1)
Contingencies (note 19)
Subsequent Events (note 20)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Approved on behalf of the Board

Signed Norm Betts Director *Signed* Dennis Moir Director

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended January 31, 2019 and 2018
(Stated in thousands of Canadian Dollars, except for share, option and warrant information)
(Unaudited)

	Three Months Ended January 31		Nine Months Ended January 31	
	2019	2018	2019	2018
Revenue	$ 1,176	790	$ 3,646	$ 2,420
Cost of sales	355	-	355	-
Gross profit before fair value adjustment	**$ 821**	**790**	**3,291**	**$ 2,420**
Fair value adjustment on growth of biological assets	(66)	-	(66)	-
Gross Profit	**$ 755**	**790**	**3,225**	**$ 2,420**
Impairment loss (reversal)	-	-	-	(19)
Salaries and wages	1,454	872	4,211	2,559
Share based compensation expense	659	2,870	2,137	3,574
Professional fees	166	302	601	809
Rent	143	176	513	581
Depreciation and amortization (notes 6, 7 and 21)	866	70	1,408	209
Advertising and promotion	88	172	185	274
General and administrative	401	399	1,244	1,089
	3,777	4,861	10,299	9,076
Loss before other income (loss)	(3,022)	(4,071)	(7,074)	(6,656)
Other loss (income)				
Interest and accretion expenses	237	782	1,138	1,179
Loss/(gain) on settlement of debt	-	(46)	17	(187)
Foreign exchange loss	-	-	11	-
Interest income	(8)	(6)	(23)	(6)
Loss on disposal of assets	12	-	12	-
	241	730	1,155	986
Loss before income taxes	(3,263)	(4,801)	(8,229)	(7,642)
Income tax expense (recovery)	-	(16)	72	(16)
Loss and comprehensive loss for period	(3,263)	(4,785)	(8,301)	(7,626)
Loss per share - basic and diluted	$ (0.01)	$ (0.04)	$ (0.04)	$ (0.06)
Weighted average number of common shares outstanding - basic and diluted	214,643,293	127,341,374	181,995,426	122,539,361

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three and nine months ended January 31, 2019 and 2018.
(Stated in thousands of Canadian Dollars, except for share, option and warrant information)
(Unaudited)

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Share Subscription Receivable	Deficit	Total Shareholders' Equity
Balance as at April 30, 2018	164,662,939	$ 23,473	$ 8,249	$ 1,498	$ -	$ (27,156)	$ 6,064
Common shares issued pursuant to conversion of convertible debentures, net of taxes (note 13)	29,221,004	2,871	504	(1,267)	-	-	2,108
Common shares issued pursuant to exercise of warrants (note 13)	2,795,425	900	(211)	-	-	-	689
Common Shares Issued Pursuant to Private Placement (note 13)	9,434,802	1,212	288	-	-	-	1,500
Common Shares to be issued to related party for land purchase (note 13)	-	265	-	-	-	-	265
Common Shares Issued to Vendor (note 13)	17,650,540	3,500	-	-	-	-	3,500
Share based compensation (note 14)	-	-	2,137	-	-	-	2,137
Net loss for the period	-	-	-	-	-	(8,301)	(8,301)
Balance as at January 31, 2019	223,764,710	$ 32,221	$ 10,967	$ 231	$ -	$ (35,457)	$ 7,962
Balance as at April 30, 2017	119,877,626	$ 9,000	$ 3,731	$ 299	$ -	$ (14,239)	$ (1,209)
Common shares issued pursuant to debt settlements and services	720,466	143	-	(140)	(70)	-	(67)
Issuance of convertible debentures and related warrants	25,547,970	11,107	(670)	1,524	-	-	11,961
Warrants issued in connection with the acquisition of Knalysis	5,000,000	3,000	-	-	-	-	3,000
Share based compensation	-	-	-	-	-	-	-
Common Shares issued as payment of interest service charges	426,100	64	-	-	-	-	64
Issuance Costs	-	-	(122)	(152)	-	-	(274)
Broker warrants issued	-	-	355	-	-	-	355
Warrants issued in connection with the transaction	-	-	791	-	-	-	791
Share-based compensation	-	-	1,161	-	-	-	1,161
Net loss for the period	-	-	-	-	-	(7,626)	(7,626)
Balance as at January 31, 2018	151,572,162	$ 23,314	$ 5,246	$ 1,531	$ (70)	$ (21,865)	$ 8,156

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Canada House Wellness Group Inc.

Condensed Interim Consolidated Cash Flow Statements
For the three and nine months ended January 31, 2019 and 2018
(Stated in thousands of Canadian Dollars, except for share, option and warrant information)
(Unaudited)

	Nine Months Ended	
	January 31, 2019	January 31, 2018
Net loss for the period	$ (8,301)	$ (7,626)
Items not affecting cash:		
Interest on convertible promissory notes	-	284
Depreciation and amortization	1,740	209
Impairment of property, plant and equipment	-	(19)
Services paid in common shares	-	34
Services paid in convertible debenture units	-	75
Stock-based compensation	2,137	3,574
Deferred lease inducement	(3)	(3)
Interest accretion	1,143	861
Loss on disposal of assets	12	-
Loss on settlement of debt	17	(186)
Reversal of future tax expense	(11)	-
	(3,266)	(2,797)
Net changes in non-cash working capital (note 15):	(381)	(93)
Net cash used in operating activities	(3,647)	(2,890)
Investing Activities		
Net cash used in investing activities (note 16)	(4,679)	(1,446)
Financing Activities		
Net cash provided by financing activities (note 17)	2,011	14,467
Increase (decrease) in cash	(6,315)	10,131
Cash - beginning of period	8,953	729
Cash - end of period	$ 2,638	$ 10,860

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

1. Nature of Operations and Going Concern Uncertainty

Canada House Wellness Group Inc. (the "Company" or "CHWG"), formerly "Abba Medix Group Inc.", was incorporated September 29, 1982 under the Company Act of the Province of British Columbia and is listed on the Canadian Securities Exchange under the symbol "CHV" (formerly "ABA"). These consolidated financial statements of the Company for the three and nine months ended January 31, 2019, comprise the results of the Company and its wholly-owned subsidiaries Abba Medix Corp. ("Abba"), 672800 NB Inc. doing business as Marijuana for Trauma ("MFT"), The Longevity Project Corp ("TLP") and 690050 NB Inc. doing business as Knalysis Technologies ("Knalysis"). In September 2018, 672800 NB Inc. began operating as Canada House Clinics (CHC). MFT and CHC may be used interchangeably throughout these financial statements. Using its own proprietary patient management software developed by Knalysis, MFT provides education services concerning appropriate cannabinoid therapies to patients and in the future, through Abba, intends to offer its own strains of medical cannabis. Abba has received its license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"), as well as its license to produce cannabis oil. Abba has received an amendment to its Producer's Licence from Health Canada to include the sale and provision of marijuana seeds. In December, 2018 the Company received a sales license to sell products from others, but not its' own production. The Company expects a pre-sales inspection in the coming months, at which time it will be able to sell its own production. The registered office is located at 1773 Bayly Street, Pickering, Ontario.

Basis of preparation

The unaudited condensed interim consolidated financial statements ["financial statements"] were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended April 30, 2018. These condensed interim consolidated financial statements have been prepared in compliance with IAS 34 -– Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ["IFRS"] have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended April 30, 2018.

The timely preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements, and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on March 27, 2019.

Going Concern Uncertainty

These consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business. The Company's ability to continue as a going concern is dependent upon, but not limited to, generating positive cash flows from operations, and its ability to raise financing necessary to discharge its liabilities as they become due.

1. Nature of Operations and Going Concern (continued)

During the three and nine months ending January 31, 2019, the Company incurred a net loss of $3,263 and $8,301 respectively (January 31, 2018: $4,785 and $7,626 respectively) and as of January 31, 2019, the Company's accumulated deficit was $35,457 (April 30, 2018: $27,156). As at January 31, 2019, the Company has current assets of $5,045 (April 30, 2018: $10,311) and current liabilities of $4,291 (April 30, 2018: $3,641) resulting in a working capital surplus of $754 (April 30, 2018: $6,670).

These conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern in the foreseeable future. These consolidated financial statements do not give effect to adjustments that may be necessary, should the Company be unable to continue as a going concern. If the going concern assumption is not used, then the adjustments required to report the Company’s assets and liabilities at liquidation values could be material to these consolidated financial statements.

2. Business Acquisition and Reverse Takeover

a) On January 12, 2018, the Company executed a Share Exchange Agreement with the shareholders of Knalysis whereby the Company acquired all of the issued and outstanding common shares in the capital of Knalysis in exchange for 5,000,000 common shares of the Company. Knalysis is a software and data analytics business that has developed software solutions for managing relationships between physicians, providers and patients. The primary reason for the acquisition of Knalysis is for its data collection and analysis tools. For accounting purposes, the Company has been identified as the acquirer and Knalysis the acquired company, and this transaction has been accounted for as a business combination. As such, Knalysis' balances are accounted for at fair value. The balance of the purchase price in excess of the fair value of the acquired assets and liabilities of Knalysis represents the goodwill related to the Knalysis' acquisition. Knalysis' historical share capital and retained earnings have been eliminated.

The allocation of the consideration transferred is as follows:

5,000,000 shares issued to the shareholders of Knalysis	$ 3,100
Patient management software	(658)
Web analytics portal	(162)
Smart-phone application	(162)
Customer relationships	(190)
Net liabilities of Knalysis	372
Deferred tax liability	340
Goodwill	$ 2,640

From January 12, 2018 to April 30, 2018 Knalysis reported $21 of revenue and a loss of $271. The Company acquired $100 of in trade receivables, which include $75 in receivables from MFT. The Company expects to collect all of the acquired receivables. However, during the year-end, an impairment charge of $2,640 was applied against goodwill and $1,172 against intangible assets. Impairment of goodwill and intangibles was calculated as the difference between the carrying amount of the cash generating unit (“CGU”) and the recoverable amount of the CGU. The recoverable amount of the CGU was determined based on a value in use valuation model. It

2. Business Acquisition and Reverse Takeover (continued)

was determined by management that the operational synergies and relationships that were expected as part of the acquisition had not yet been realized, and there was some uncertainty about the realization of these in the future. In the opinion of management, the benefits of these synergies and the new technology being developed by Knalysis may still provide important benefits in the future, but it is too early to be able to rely on them and these synergies and relationships were amongst the most significant elements of value with respect to the acquisition of Knalysis. Two of the shareholders with significant influence over Canada House also held significant influence as shareholders in Knalysis, prior to the acquisition.

b) On June 15, 2016, the shareholders of the Company entered into a Share Exchange Agreement (the "Agreement") with the shareholders of MFT and TLP (together the "Target Shareholders") to exchange a sufficient amount of shares of the Company for all of the issued and outstanding shares of MFT and TLP (the "Transaction"), such that immediately following the completion of the Transaction on November 7, 2016, TLP and MFT became wholly-owned legal subsidiaries of Canada House Wellness Group Inc., and approximately 66% of all of Company's issued and outstanding shares were owned by the Target Shareholders. The primary reason for the acquisitions of TLP and MFT were to leverage TLP and MFT's existing client relationships in anticipation of Abba obtaining its license under the AMCPR. In connection with the Transaction, the Company effected a consolidation of their common shares such that each one and one-half pre-consolidation common shares became one post-consolidation common share in the resulting issuer (the "Share Consolidation").

i) Acquisition of TLP

Upon completion of the Transaction, the former shareholders of TLP controlled 15% of the issued and outstanding common shares of the Company. The Agreement also includes an Earn-Out payment of an aggregate amount of $2,000, of which the former shareholders of TLP are entitled to 22.73%. As at April 30, 2018, the net present value of the Earn-Out payment attributable to TLP using a discount of 18% was $358 (April 30, 2017: $302). The timing of the payment of the Earn-Out payment by the Company to the former shareholders of TLP, is dependent on MFT and TLP (collectively the "Target Business") meeting specific EBITDA performance targets at certain milestones but will be paid in full by the third anniversary of the Transaction if targets are not met earlier. For accounting purposes, the Company has been identified as the acquirer and TLP the acquired company, and this transaction has been accounted for as a business combination. As such, TLP's balances are accounted for at fair value, with the balance of the purchase price in excess of the fair value of the acquired assets and liabilities of TLP accounted for as goodwill. TLP's historical share capital and retained earnings have been eliminated.

The allocation of the consideration transferred was as follows:

2,191,119 shares issued upon completion of the Transaction	$	406
12,416,341 shares held in escrow		656
Earn-Out payment		279
Total consideration transferred		1,341
Net assets of TLP acquired		143
Goodwill and intangible assets	$	1,198

2. Business Acquisition and Reverse Takeover (continued)

b) (continued)

i) Acquisition of TLP (continued)

During the year ending April 30, 2017, $1,198 recognized as goodwill and intangible assets on the acquisition of TLP was impaired, as it was determined by management that the operational synergies and relationships that were expected as part of the acquisition of TLP were not realized and were not expected to be realized in the future as originally contemplated. In the opinion of management, the absence of these synergies and relationships were the most significant elements of value with respect to the acquisition of TLP. As such, the Company expensed the full amount of the goodwill on the consolidated statement of loss and comprehensive loss for the year ended April 30, 2017. In addition, in April 2017, the Company determined that the property, plant and equipment acquired upon the acquisition of TLP in the amount of $23 was impaired. As such, the Company has expensed the full amount these assets on the consolidated statement of loss and comprehensive loss during the year ended April 30, 2017. No further impairments of property, plant and equipment were required during the year ending April 30, 2018.

In the year ended April 30, 2018, TLP had revenue and losses of $53 and $48 respectively. From the period from November 7, 2016, the date of completion of the Transaction, to April 30, 2017, TLP had revenue and losses of $368 and $380 respectively.

ii) Reverse Takeover of MFT

Upon completion of the Transaction, the Company acquired 100% of the issued and outstanding common shares of MFT, in exchange for 49,655,364 common shares of the Company, such that the former shareholders of MFT controlled 51% of the issued and outstanding common shares of the Company. As a result of the former shareholders of MFT controlling the Company following the Transaction, the acquisition constituted a reverse takeover of the Company by MFT. The Agreement also includes a cash payment of $250 on close of the Transaction, an Earn-Out payment of an aggregate amount of $2,000, of which the former shareholders of MFT are entitled to 77%, and a Bonus Earn-Out payment of $2,000 payable to the former shareholders of MFT. As at April 30, 2018, the net present value using a discount rate of 18% of the Earn-Out payment attributable to MFT was $2,759 (April 30, 2017: $2,177). The timing of the payment of the Earn-Out and Bonus Earn-Out payments by the Company to the former shareholders of MFT, are dependent on the Target Business meeting specific EBITDA performance targets at certain milestones but will be paid in full by the third anniversary of the Transaction. For accounting purposes, MFT is the deemed acquirer and the Company the deemed acquired company, and accordingly, MFT's assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from November 7, 2016, the date of completion of the Transaction, with assets and liabilities recorded initially at fair value. Since the Company's operations do not meet the definition of a business under IFRS 3, this transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, the Company's share capital, deficit, contributed surplus and equity component of convertible promissory notes payable have been eliminated, the consideration transferred by the Company will be allocated to share capital, and the transaction costs will be expensed.

2. Business Acquisition and Reverse Takeover (continued)

b) (continued)

ii) Reverse Takeover of MFT (continued)

The allocation of the consideration transferred was as follows:

4,966,536 shares issued upon completion of the Transaction	$	921
44,698,828 shares held in escrow		3,515
Cash payment on close of the Transaction		250
Fair value of existing warrants of the Company		388
Fair value of existing options of the Company		3
Fair value of equity portion of existing convertible promissory notes of the Company		103
Fair value of shares to be issued		45
Earn-Out payment		949
Bonus Earn-Out payment		1,228
Total consideration transferred		7,402
Net assets (liabilities) of the Company acquired		(1,478)
Deemed Transaction costs and license application	$	8,880

The acquisition-date fair value of the consideration transferred by the Company for its interest in MFT is based on the number of equity interests MFT would have had to issue to give the owners of the Company the same percentage equity interest in the combined entity that results from the transaction described above. The fair value of the number of equity interests calculated in that way is used as the fair value of consideration transferred in exchange for MFT. An adjustment has been booked to adjust the fair market value of the Company's equity interest in MFT accordingly. The acquisition of MFT included a late-stage license application which did not meet the definition of an intangible asset pursuant to IAS 38. As such, the associated costs have been included in transaction costs.

The common shares issued to the former shareholders of MFT and TLP (the "Consideration Shares") are subject to a three year escrow period, subject to accelerated release in fulfillment of certain performance targets (the "Contractual Escrow"). The Contractual Escrow is as follows:

a) 20% of the Consideration Shares shall be delivered on the closing of the Acquisition.

b) subject to MFT and TLP, on a continued basis (the "Target Business") achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the six month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 29% has been applied to reflect the escrow period. The Target Business did not meet the EBITDA targets applicable to the release of these shares from escrow.

2. Business Acquisition and Reverse Takeover (continued)

b) (continued)

ii) Reverse Takeover of MFT (continued)

c) subject to the Target Business achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the twelve month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 42% has been applied to reflect the escrow period.

d) subject to the Target Business achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the eighteen month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 49% has been applied to reflect the escrow period.

e) subject to the Target Business achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the twenty-four month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 55% has been applied to reflect the escrow period.

In the event that the Target Business does not meet the applicable EBITDA targets by the applicable anniversary date of the closing date of the Transaction, then such portion of the Consideration Shares shall remain in escrow until the third anniversary of the closing date of the Transaction. As of the date of these financial statements, the EBITDA targets have not been met. In addition to the Contractual Escrow, the release of the Consideration Shares will be subject to statutory escrow provisions such that 10% will be released upon listing on the Canadian Stock Exchange with subsequent releases of 15% every six months thereafter.

The former shareholders of MFT control the voting rights to 13,146,654 common shares held by the former shareholders of TLP pursuant to the terms of a voting trust agreement, representing 11% of outstanding common shares immediately following the Transaction. The former shareholders of MFT may exercise all of the voting rights attached to the common shares held by the former shareholders of TLP at all annual and special meetings of the shareholders of the Company held on or before June 30, 2018, after which all voting rights return to the former shareholders of TLP.

Total transaction costs of $8,880 were expensed immediately on the statement of loss and comprehensive loss.

c) For the three and nine months ended January 31, 2019, the Company recorded accretion expense of $166 and $628, respectively, increasing Purchase Consideration Payable to $3,744.

3. New standards, amendments and interpretations

The following new accounting standards were applied or adopted during the nine months ended January 31, 2019:

[i] IFRS 9 - Financial Instruments [“IFRS 9”]

The adoption of IFRS 9 did not have any impact on the Company’s consolidated financial statements. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the consolidated financial statements. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income [‘‘FVOCI’’]; or fair value through profit and loss [‘‘FVTPL’’]. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial asset as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. New standards, amendments and interpretations (continued)

A financial asset [unless it is a trade receivable without a significant financing component that is initially measured at the transaction price] is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	Subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	Subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss, even upon derecognition.

[ii] IFRS 15 – Revenue from Contracts with Customers [“IFRS 15”]

IFRS 15 supersedes IAS 18 – *Revenue* and IAS 11 – *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption on May 1, 2018.
The effect of adopting IFRS 15 did not have any impact on the Company’s consolidated financial statements.

3. New standards, amendments and interpretations (continued)

The Company has not applied the following new and revised accounting standards that have been issued but are not yet effective:

[i] IFRS 16 – Leases [“IFRS 16”]

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment [“IFRIC 23”]

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's consolidated financial statements.

4. Inventory

Inventory is composed of:

	January 31, 2019	April 30, 2018
Finished goods	**$ 41**	$ -
Seeds	**1**	$ -
	$ 42	$ -

Finished goods inventory represents cannabis purchased from others and is carried at cost.

As at January 31, 2019 the Company was licensed to sell cannabis produced by others, but not from its own production facility. Until such time as Company has a sales license to sell its own product, the fair value of biological assets is considered to be nil.

4. Inventory (Continued)

The changes in carrying value of biological assets are as follows:

Balance at April 30, 2018 and 2017	$	-
Production costs capitalized		66
Changes in fair value less cost to sell due to biological transformation		(66)
Transferred to inventory upon harvest		-
Balance as at January 31, 2019	**$**	**-**

Company's biological assets, consisting of cannabis plants, are within the scope of IAS 41, *Agriculture*. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, utilities, facilities costs including an allocation of overhead costs related to production facility, quality and testing costs, and production related depreciation. Capitalized costs are subsequently recorded within cost of sales in the consolidated statements of loss in the period that the related product is sold.

The Company measures biological assets, at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the consolidated statement of loss for the related period. Cost to sell includes post-harvest production costs, shipping and fulfilment costs.

As at period end, the Company has no received its sales license to sell its own production. As a result, all capitalized costs related to biological assets were expensed through changes in fair in value of biological assets.

5. Loan Receivable

Loan receivable consists of the following as at January 31, 2019 and April 30, 2018:

	January 31 2019		April 30, 2018	
Principal balance	$	10	$	20
Less: current portion		(10)		(10)
Non-current portion	$	-	$	(10)

On June 21, 2016, the Company loaned $30 to a company (the "Debtor") for the purpose of enabling it to open a location in Oromocto, New Brunswick, and to allow the two companies to cross-sell their products. The Debtor is a related corporation as the shareholders of the Company are also significant shareholders of the Debtor. The loan is unsecured, non-interest bearing, is repayable annually at $10 per year with a final payment on June 21, 2019. In June 2018, the Company received a cash payment of $10 resulting in a remaining balance of $10 as at January 31, 2019.

6. Property, Plant and Equipment

	Leasehold Improvements	Equipment	Furniture & Fixtures	Building	Land	Total
Cost						
Balance, April 30, 2017	1,594	599	234	261	465	3,153
Additions	1,791	452	79	-	-	2,322
Disposals	(3)	(31)	-	-	(210)	(244)
Impairment	(195)	-	-	-	-	(195)
Balance, April 30, 2018	3,187	1,020	313	261	255	5,036
Accumulated depreciation						
Balance, April 30, 2017	38	96	41	10	-	185
Depreciation	121	216	48	10	-	395
Disposals	(1)	(9)	-	-	-	(10)
Balance, April 30, 2018	158	303	89	20	-	570
Net carrying amount as at April 30, 2018	3,029	717	224	241	255	4,466
Cost						
Balance, April 30, 2018	3,187	1,020	313	261	255	5,036
Additions	2,972	156	27	-	625	3,780
Disposals	-	-	(20)	-	-	(20)
Balance, January 31 2019	6,159	1,176	320	261	880	8,796
Accumulated depreciation						
Balance, April 30, 2018	158	303	89	20	-	570
Depreciation	707	149	37	8	-	901
Disposals	-	-	(6)	-	-	(6)
Balance, January 31, 2019	865	452	120	28	-	1,465
Net carrying amount as at January 31, 2019	5,294	724	200	233	880	7,331

7. Intangible assets

	Computer Software	Intellectual Property	Total
Cost			
Balance, April 30, 2017	307	-	307
Additions	91	13	104
Balance, April 30, 2018	398	13	411
Accumulated depreciation			
Balance, April 30, 2017	56	-	56
Amortization	89	3	92
Balance, April 30, 2018	145	3	148
Net carrying amount as at April 30, 2018	253	10	263
Cost			
Balance, April 30, 2018	398	13	411
Additions	-	4,665	4,665
Adjustments	-	(6)	(6)
Balance, January 31, 2019	398	4,672	5,070
Accumulated depreciation			
Balance, April 30, 2018	145	3	148
Amortization	57	780	837
Balance, January 31, 2019	202	783	985
Net carrying amount as at January 31, 2019	196	3,889	4,085

On July 17, 2018, the Company entered into a licensing agreement whereby the Company acquired certain intellectual property related to a) processes for cultivation, including proprietary formulations, operating plans, standard operating procedures and training and products, including the "Three A Light" book and all current and future products related to the entire Success Nutrients ® product line, proprietary formulations, and any other documentation related to these products. The licensing agreement provides the Company with the exclusive Canadian rights to use the trademarks. "Powered by Medicine Man Technologies;" "Medicine Man" and "Success Nutrients and Design". The total purchase price was $4,650 which included cash consideration of $1,150 and share consideration of $3,500. In addition, the Company is required to pay an on-going licensing fee equivalent to 4% of gross revenue associated with the sale of any products under the licensing agreement and 12% of gross revenue associated with the sale of know-how and technology. To date, the Company has not sold any products or know-how related to this licensing arrangement. The term of the arrangement is 18 months, with one automatic extension of a further 18 months. A third term of 18 months is conditional on the Company paying $3,000 by the completion of the first two 18-month terms. (notes 13 and 21). The amortization period for the license included above is 36 months.

8. Due to Shareholders

The amounts due to shareholders are non-interest bearing, unsecured, and have no specific terms of repayment.

9. Promissory Notes

During May, July, September, November and December 2017, the Company issued seven promissory notes with aggregate principal of $2,200 to a controlling shareholder and related party. The promissory notes bear interest at 5% per annum, with principal and accrued interest payable on or before August 1, 2018. Should the Company choose to make a public offering of its common stock, warrants or debenture, the note holders may have the right to convert any or all of the outstanding principal into participation in the offering, receiving at the such time of the election, payment of all accrued interest to liquidate the note. If the notes are not paid in accordance with the above terms, the principal and accrued interest thereon shall draw interest at a rate of 8% per annum, and that failure to make any payment of principal or interest when due shall cause the entire note to become due at once, or the interest to be counted as principal, at the option of the holder of the note, and all costs of collection, including attorney and court costs, will be borne by the maker of this note.

The present value of promissory notes on initial recognition was $1,952, using a discount rate of 19.29% to 20.12%, depending upon the date of issuance.

The promissory notes have been fully repaid as of July 31, 2018 resulting in the aggregate carrying value of the promissory notes of nil as at January 31, 2019 (April 30, 2018 - $19).

10. Convertible Promissory Notes

As a result of the Transaction, the following unsecured convertible promissory notes were acquired at fair value, which were originally issued by CHWG during its year ended July 31, 2015:

a) Principal of $250 with interest at a rate of 2% per month due and payable on a monthly basis beginning 30 days from the effective date until the maturity date of August 4, 2015. The outstanding principal amounts shall be due and payable on August 4, 2015. During the year ended April 30, 2017, the Company entered into a debt settlement agreement with the noteholder pursuant to which the Company paid $250 and issued 281,106 common shares of the Company in full satisfaction of the outstanding principal and accrued interest of $87. In addition, the Company issued 125,000 common shares previously recognized as shares to be issued, as a financing charge related to the issuance of the convertible promissory note. The fair value of the shares issued approximated the carrying amount of the accrued interest on the settlement date, thus there was no gain recognized on the settlement of the debt.

b) Principal of $25 with interest at a rate of 2% per month due and payable on a monthly basis beginning 30 days from the effective date until the maturity date of August 4, 2015. The outstanding principal amounts were payable on August 4, 2015. As at April 30, 2016, trade and other payables included $3 of accrued interest related to this convertible promissory note. During the year ended April 30, 2017, the Company entered into a debt settlement agreement with the noteholder pursuant to which the Company paid $25 and issued 140,611 common shares of the

Convertible Promissory Notes (continued)

Company in full satisfaction of the outstanding principal and accrued interest of $9. In addition, the Company issued 125,000 common shares previously recognized as shares to be issued, as a financing charge related to the issuance of the convertible promissory note. The fair value of the shares issued approximated the carrying amount of the accrued interest on the settlement date, thus there was no gain recognized on the settlement of the debt.

c) Principal of $25 with interest at a rate of 2% per month due and payable on a monthly basis beginning 30 days from the effective date until the maturity date of August 4, 2015. The outstanding principal amounts shall be due and payable on August 4, 2015. During the year ended April 30, 2017, the promissory note and accrued interest was paid in full.

The aggregate carrying value of the convertible promissory notes as at April 30, 2018 is calculated as follows:

Balance as at April 30, 2016	$	-
Assumed upon completion of the Transaction		300
Less: principal repayments		(300)
Balance, April 30, 2017, 2018 and January 31, 2019	$	-

As a result of the Transaction, the following unsecured convertible promissory notes were acquired at fair value, which were originally issued by CHWG during its year ended July 31, 2016:

a) Principal of $50 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of May 3, 2018. The outstanding principal amounts shall be due and payable on May 3, 2018.

b) Principal of $50 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of May 13, 2018. The outstanding principal amounts shall be due and payable on May 13, 2018.

c) Principal of $50 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of May 20, 2018. The outstanding principal amounts shall be due and payable on May 20, 2018.

d) Principal of $50 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of June 1, 2018. The outstanding principal amounts shall be due and payable on June 1, 2018.

e) Principal of $75 with interest at a rate of 8.5% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December commencing June 30, 2016 until the maturity date of June 21, 2018. The outstanding principal amounts shall be due and payable on June 21, 2018.

11. Convertible Debentures

During the three and nine months ended January 31, 2019, convertible debentures with aggregate principal of $2,236 and $5,544 were converted into 11,431,575 and 29,221,004 common shares of the Company.

The aggregate carrying value of the convertible debentures as at January 31, 2019 and April 30, 2018 is as follows:

Balance, April 30, 2017	**$ 495**
Add: additional principal issuances	9,027
Less: conversion options of new issuances	(2,275)
Less: fair value of new CD Warrants	(3,649)
Less: deferred tax liabilities of new issuances	(723)
Less: non- cash issuance costs	(207)
Less: cash issuance costs	(74)
Less: broker warrants	(86)
Add: interest accretion for the period	296
Less: converted into common shares of the Company	(1,117)
Balance, April 30, 2018	**$ 1,687**
Add: interest accretion for the period	515
Less: cash interest payments	(277)
Less: converted into common shares of the Company	(1,604)
Balance, January 31, 2019	**$ 321**

The aggregate carrying value of the convertible debenture conversion feature as at January 31, 2019 and April 30, 2018 is calculated as follows:

Balance, April 30, 2017	**$ 299**
Add: value of conversion options of new issuances	2,275
Less: issuance costs	(271)
Less: converted to common shares of the Company	(805)
Balance, April 30, 2018	**$ 1,498**
Less: converted to common shares of the Company	(1,267)
Balance, January 31, 2019	**$ 231**

11. Convertible Debentures (continued)

a) On August 11, 2017, the Company issued 253 unsecured convertible debenture units for gross proceeds of $253. Each Unit is comprised of: (i) $1 principal amount of 8.0% unsecured convertible debentures ("Convertible Debentures") in the capital of the Company with a maturity date ("Maturity Date") of August 11, 2020; and (ii) 6,667 detachable common share purchase warrants of the Company (each, a "Warrant"). Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each, a "CD Share") at any time prior to the Maturity Date at a conversion price of $0.15 per CD Share, being a ratio of 6,667 CD Shares per $1 principal amount of Convertible Debentures. If the closing price of the common shares of the Company is greater than or equal to $0.35 for a period of 10 consecutive trading days at any time prior to the maturity date, the Company has the option to force conversion at $0.15 per CD share. If the Company forces conversion prior to February 8, 2019, the Company shall pay the holder an additional 18 months of interest, payable in cash or shares at $0.15 per share, at the option of the holder. The interest payable on the debenture is payable in cash or in common shares of the Company at the option of the holder. Any common shares issuable as payment of interest shall be issued at a price of $0.15 per common share, subject to the rules and policies of the Canadian Securities Exchange. Each Warrant shall be exercisable into one common share of the Company (each, a "CD Warrant Share") at a price of $0.15 per CD Warrant Share on or prior to two years from the date of issuance. In connection with the issuance of the Convertible Debentures, the Company paid a loan processing fee equal to $75 per unit payable in common shares of the Company at a price of $0.15 per common share valued at $19. All securities issued pursuant to the financing were subject to a four-month hold period in accordance with applicable Canadian securities laws.

The Company has allocated the proceeds net of loan processing fees of $234 from the issuance of the Convertible Debenture Units as follows:

Convertible debentures liability	$	99
Conversion option		30
CD Warrants		94
Deferred income tax liability		11
	$	234

The value of the conversion option was calculated by subtracting the net present value of the debenture and the deferred tax liability from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 19.82% over a term of 18 months. The deferred tax liability was calculated using a corporate tax rate of 26.5%.

As at April 30, 2018, convertible debentures with aggregate principal of $221 had been converted into 1,473,333 common shares of the Company. During the three and nine months ended January 31, 2019, convertible debentures with aggregate principal of NIL and $32 were converted into 210,527 common shares of the Company. As at January 31, 2019 convertible debentures with aggregate principal of nil remained outstanding.

11. Convertible Debentures (continued)

b) On August 21, 2017, the Company issued 149.5 unsecured convertible debenture units for gross proceeds of $150. Each Unit is comprised of: (i) $1 principal amount of 8.0% unsecured convertible debentures ("Convertible Debentures") in the capital of the Company with a maturity date ("Maturity Date") of August 21, 2020 and (ii) 6,667 detachable common share purchase warrants of the Company (each, a "Warrant"). Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each, a "CD Share") at any time prior to the Maturity Date at a conversion price of $0.15 per CD Share, being a ratio of 6,667 CD Shares per $1 principal amount of Convertible Debentures. If the closing price of the common shares of the Company is greater than or equal to $0.35 for a period of 10 consecutive trading days at any time prior to the maturity date, the Company has the option to force conversion at $0.15 per CD share. If the Company forces conversion prior to February 8, 2019, the Company shall pay the holder an additional 18 months of interest, payable in cash or shares at $0.15 per share, at the option of the holder. The interest payable on the debenture is payable in cash or in common shares of the Company at the option of the holder. Any common shares issuable as payment of interest shall be issued at a price of $0.15 per common share, subject to the rules and policies of the Canadian Securities Exchange. Each Warrant shall be exercisable into one common share of the Company (each, a "CD Warrant Share") at a price of $0.15 per CD Warrant Share on or prior to two years from the date of issuance. All securities issued pursuant to the financing were subject to a four-month hold period in accordance with applicable Canadian securities laws.

The Company has allocated the proceeds from the issuance of the Convertible Debenture Units as follows:

Convertible debentures liability	$	67
Conversion option		20
CD Warrants		56
Deferred income tax liability		7
	$	150

The value of the conversion option was calculated by subtracting the net present value of the debenture and the deferred tax liability from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 19.82% over a term of 48 months. The deferred tax liability was calculated using a corporate tax rate of 26.5%.

As at April 30, 2018, this convertible debenture had been converted into 996,667 common shares of the Company. As at January 31, 2019 and April 30, 2018, convertible debentures with aggregate principal of nil remained outstanding.

11. Convertible Debentures (continued)

c) On December 5, 2017, the Company issued 8,624 unsecured convertible debenture units for gross proceeds of $8,624. Of the gross proceeds received, $2,000 represent promissory notes that were settled through the issuance of these convertible debenture units, $75 represents convertible debentures issued to former key management as severance and $130 represents convertible debentures issued as settlement of $176 of accounts payable. Each Unit is comprised of: (i) $1 principal amount of 8.5% unsecured convertible debentures ("Convertible Debentures") in the capital of the Company with a maturity date ("Maturity Date") of December 5, 2021; and (ii) 5,263 detachable common share purchase warrants of the Company (each, a "Warrant"). Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each, a "CD Share") at any time prior to the Maturity Date at a conversion price of $0.19 per CD Share if converted within the first twelve months following issuance, and at a conversion price of $0.40 per CD if converted at any time following the date that is 12 months and one day following issuance until maturity. If the volume weighted average closing price of the common shares is greater than or equal to $0.35 for a period of 5 consecutive days at any time within the first 12 months of the closing date, the Company has the option to force conversion at $0.19 per CD share. If the volume weighted average closing price of the common shares of the Company is greater than or equal to $0.50 for a period of 5 consecutive days at any time after 12 months and before maturity, the Company has the option to force conversion at $0.40 per CD share. The debentures may be redeemed at any time after issuance on the following basis:

Redemption Price	Redemption Date
115% of the principal amount plus any accrued and unpaid interest	0 - 12 months from closing
112% of the principal amount plus any accrued and unpaid interest	12 - 24 months from closing
109% of the principal amount plus any accrued and unpaid interest	24 - 36 months from closing
106% of the principal amount plus any accrued and unpaid interest	36 - 48 months from closing

The interest payable on the debenture is payable monthly in cash. Each Warrant shall be exercisable into one common share of the Company (each, a "CD Warrant Share") at a price for an exercise price of $0.30 per share for a period of 12 months following issuance; at an exercise price of $0.40 from 12 months to 24 months following issuance; at an exercise price of $0.60 from 24 months to 36 months following issuance and at an exercise price of $0.80 from 36 months to 48 months following issuance. All securities issued pursuant to the financing were subject to a four-month hold period in accordance with applicable Canadian securities laws.

Transaction costs of $662 were incurred in connection with the transaction including $307 of cash transaction costs and $356 of broker warrants with identical terms as the Warrants.

11. Convertible Debentures (continued)

The Company has allocated the proceeds net of transaction costs of $7,962 from the issuance of the Convertible Debenture Units as follows:

Convertible debentures, liability	$	1,934
Conversion option		1,955
CD Warrants		3,368
Deferred income tax liability		705
		7,962

The value of the conversion option was calculated by subtracting the net present value of the debenture and the deferred tax liability from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 20.37% over a term of 48 months. The deferred tax liability was calculated using a corporate tax rate of 26.5%.

As at January 31, 2019, convertible debentures with aggregate principal of $7,454 had been converted into 39,231,499 common shares of the Company. As at January 31, 2019, convertible debentures with aggregate principal of $1,170 remained outstanding.

d) During the year ending April 30, 2017, the company issued 1,275 Debenture Units for gross proceeds of $1,275. Each Convertible Debenture Unit is comprised of one 8.5% secured debenture with a principal amount of $1 and a Maturity Date of November 7, 2020, and 1,000 Convertible Debenture Warrants (a "CD Warrant") which entitles the holder thereof to acquire one common share for an exercise price of $0.40 per share for the initial 24 months following the grant date; at an exercise price of $0.75 from 24 months to 36 months following the grant date; and at an exercise price of $1.00 from 36 months to 48 months following the grant date. Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company at any time prior to the Maturity Date at a conversion price of $0.40 per share, being a ratio of 2,500 shares per $1 principal amount of Convertible Debentures. The Convertible Debentures are secured by a general security agreement over all present and after-acquired property of the Company. The Convertible Debentures will be senior in right of payment of principal and interest to all obligations of the Company, and rank senior with all present and future debentures of the Company. Within the first twelve months following the escrow release date, provided that the volume weighted average price of the Common Shares of the Company on the Exchange for the twenty consecutive trading days ending five trading days prior to the date of the redemption notice, is equal to or greater than $0.50 per share, the Convertible Debentures may be redeemed, in whole or in part, from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice, at a price of $0.40 per Convertible Debenture, plus the full 8.5% interest for the first twelve months following the escrow release date. From and after the date that is twelve months from the escrow release date until the date that is 48 months from the Escrow Release Date,

11. Convertible Debentures (continued)

provided that the volume weighted average price of the shares of the Company on the Exchange for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice, is equal to or greater than $0.50 per share, the Convertible Debentures may be redeemed, in whole or in part, from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice, at a price of $0.40 per Convertible Debenture, plus accrued and unpaid interest up to and excluding the date of the redemption notice.

The Company has allocated the proceeds from the issuance of the Convertible Debenture Units as follows:

Convertible debentures, principal	$	632
Conversion option		473
Deferred income tax liability		170
	$	1,275

The value of the conversion option was calculated by subtracting the net present value of the debenture and the deferred tax liability from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 18% over a term of 48 months. The deferred tax liability was calculated using a corporate tax rate of 26.5%.

As at April 30, 2018, all these convertible debentures had been converted into common shares of the Company, of which 3,062,500 shares were issued in the year ending April 30th, 2018.

In connection with the issuance of the convertible debentures issued during the year ended April 30, 2017, the Company incurred issuance costs of $320 of which $114 were paid in cash and $207 relate to the fair value of 510,000 agent options.

12. Long-Term Debt

Long-term debt consists of the following as at January 31, 2019 and April 30, 2018:

	January 31, 2019	April 30, 2018
Scotia Bank Loan	25	30
Loan from Vendor	125	30
Total debt	150	30
Less: current portion	(7)	(8)
	$ 143	$ 22

In July 2014, the Company obtained an 8-year loan from the Bank of Nova Scotia to purchase a vehicle. The loan is collateralized against the vehicle and bears interest at 3.99% per annum, repayable in bi-weekly instalments of $298 commencing on July 31, 2014 and matures on July 31, 2022.

The Loan from vendor consists of a five year loan at 2% per annum interest only, repayable by October 31, 2023.

13. Share Capital

The Company is authorized to issue an unlimited number of common shares.

During the three months ended January 31, 2019, the Company:

a) Issued 11,431,575 common shares pursuant to the conversion of convertible debentures with adjusted aggregate principal of $2,236.
b) Converted previously issued subscription receipts pursuant to a private placement for $1,000 into 4,672,897 common shares and 2,336,449 warrants
c) Converted $150 of the warrants issued on August 11, 2017 at $0.15 into 1,000,050 common shares.
d) Issued 4,761,905 shares and 2,380,953 warrants pursuant to a private placement for $500.

Share capital includes $265 owed to an officer of the Company in relation to an asset purchase (note 18).

During the three months ended October 31, 2018, the Company:

a) Issued 13,392,079 common shares pursuant to the conversion of convertible debentures with adjusted aggregate principal of $2,504.
b) Issued 4,672,897 subscription receipts pursuant to a private placement for $1,000.
c) Issued 1,795,375 shares pursuant to the exercise of December 2017 debenture warrants at $0.30 per share for a total of $539.
d) Issued 17,650,540 shares pursuant to a licensing agreement at a value of $3,500 (notes 7 and 21).

During the three months ended July 31, 2018, the Company:

a) Issued 4,397,350 common shares pursuant to the conversion of convertible debentures with adjusted aggregate principal of $804.

During the year ended April 30, 2018, the Company:

a) Issued 20,801,210 common shares of the Company for gross proceeds of $5,683 pursuant to the exercise of warrants.
b) Issued 2,052,400 common shares of the Company for gross proceeds of $512 pursuant to the exercise of stock options.

c) Issued 369,274 common shares of the Company to a consultant in exchange for services rendered of $125. Both the shares received and shares issued had a value of $125.

d) Issued 5,000,000 common shares of the Company to acquire all of the issued and outstanding shares of Knalysis as described in note 2.

e) Issued 15,756,329 common shares of the Company pursuant to the conversion of convertible debentures with aggregate principal of $3,570.

f) Issued 426,100 common shares of the Company as payment of interest charges on the convertible debt issued on August 11, 2018. The terms of the debenture allow the interest to be paid in cash or common shares of the Company, at the option of the holders, at $0.15.

13. Share Capital (continued)

g) Issued 580,000 common shares of the Company with a fair value of $81 to settle aggregate debt of $185. The Company recognized a gain on settlement of $104.

14. Share Based Compensation

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance and available for purchase pursuant to options granted under the Plan cannot exceed 10% of the total number of common shares of the Company issued and outstanding at the date of any grant made. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares. Options pursuant to the Plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board which shall not exceed five years from the date of grant and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed.

During the three months ending January 31, 2019, the Company:

a) Granted 4,300,000 stock options to senior management at an exercise price of $0.17. Such options will be issued at an exercise price equal to the closing market price of the Company's common shares as of the trading day prior to issuance, will vest immediately at the time of issuance and have a term of five years.

b) Forfeited 775,000 stock options previously issued to senior management who are no longer with the Company and as well as 357,700 of options issued to brokers pursuant to a financing in September 2016.

During the three months ending October 31, 2018, the Company:

a) Granted 6,150,000 stock options to Directors and senior management. Of the above options, 1,500,000 were issued on August 9, 2018 at an exercise price of $0.20, 1,900,000 were issued on September 18, 2018 at an exercise price of $0.20, 1,250,000 were issued on September 28, 2018 at an exercise price of $0.295 and 1,500,000 were issued on October 30, 2018 at an exercise price of $0.19. Such options will be issued at an exercise price equal to the closing market price of the Company's common shares as of the trading day prior to issuance, will vest immediately at the time of issuance and will have a term of five years.

b) Forfeited 5,716,667 stock options previously issued to Directors, senior management who are no longer with the Company as well as 66,667 of brokers warrants. These include 2,700,000 issued on November 7, 2016 at an exercise price of $0.25, 2,950,000 issued on December 22, 2017 at an exercise price of $0.47 and the 66,667 of brokers warrants originally issued on July 31, 2015 at an exercise price of $0.69.

During the three months ended July 31, 2018, the Company granted the following stock options:

a) On June 27, 2018, the Company granted 2,000,000 stock options to its Chief Executive Officer pursuant to its stock option plan. Of the above options, 500,000 were issued as of June 27, 2018 at an exercise price of $0.21, vesting immediately and expiring June 26, 2023. The remaining 1,500,000 options will be issued in three tranches of 500,000 on September 27, 2018, December

14. Share Based Compensation (continued)

27, 2018 and March 27, 2019, respectively. Such options will be issued at an exercise price equal to the closing market price of the Company's common shares as of the trading day prior to issuance, will vest immediately at the time of issuance and will have a term of five years.

b) On July 23, 2018, the Company granted of 3,500,000 stock options, pursuant to the Company's stock option plan to new members of the executive team. Of the above options, 875,000 vest immediately on July 18, 2018, 875,000 vest on October 1, 2018, 875,000 vest on January 1, 2018 and 875,000 vest on April 1, 2019. Such options will be issued at an exercise price equal to $0.20 and will have a term of five years.

c) On July 23, 2018, the Company granted 500,000 stock options to a Director that all vest on July 18, 2018. Such options have been issued with an exercise price of $0.20 and have a five-year term.

The fair value of the stock options granted for the nine months ending January 31, 2019 was estimated at the grant date based on the Black Scholes pricing model, using the following assumptions:

Expected dividend yield Nil
Risk free interest rate 1.93% - 2.38%
Expected life 5 years
Expected volatility 98.7%- 121.1%
Share price $0.20 - $0.38
Forfeiture rate Nil

For the three months and nine months ended January 31, 2019, the recognized share-based payments expense of $1,032 and $1,478 (2017 - $352 and $703 respectively).

15. Changes in Non-cash Working Capital

The changes to the Company's non-cash working capital for the nine months ended January 31, 2019 and 2018 are as follows:

	2019	2018
Decrease (increase) in trade and other receivables	$ (190)	$ 997
Increase in inventory	(42)	-
Decrease (increase) in prepaid expenses and deposits	(243)	29
Decrease in income taxes payable	-	(22)
Increase in sales tax receivable	(574)	-
Increase (decrease) in sales taxes payable	23	(267)
Increase (decrease) in trade and other payables	645	(830)
	$ (381)	$ (93)

The working capital cash flows shown in the consolidated statements of cash flows differ from the consolidated statement of financial position due to the current assets and liabilities acquired pursuant to the acquisition of Knalysis (note 2).

16. Changes in Cash Flows from Investing Activities

The changes to the Company's cash flows from investing activities for the nine months ended January 31, 2019 and 2017 are as follows:

	2019	2018
Purchase of property, plant and equipment	$ (4,689)	$ (1,187)
Collection of loan receivable	10	10
Short-term advances receivable	-	(325)
Cash acquired upon acquisition of Knalysis	-	56
	$ (4,679)	$ (1,446)

17. Changes in Cash Flows from Financing Activities

The changes to the Company's cash flows from investing activities for the nine months ended January 31, 2019 and 2018 are as follows:

	2019	2018
Private Placement	$ 1,500	$ -
Exercise of Warrants	690	5,383
Exercise of options	-	513
Cash interest payments on debentures	(277)	-
Proceeds of convertible debenture units	-	6,807
Issuance costs	-	(303)
Increase (repayment) of long-term debt	121	(48)
Deferred Lease Inducement	(3)	-
Proceeds from issuance of promissory notes	-	2,200
Interest on convertible and promissory notes	-	(85)
Due to Shareholders	(20)	-
	$ 2,011	$ 14,467

18. Related Party Transactions and Balances

During the nine months ended January 31, 2019 and 2018, the Company incurred the following major related party transactions:

a) A total of $221 (2018 - $177) in occupancy expenses charged by a company whose shareholders are also shareholders of the Company. As at January 31, 2019, prepaid expenses included $30 (2018: $36) and deferred lease inducement included $NIL (2018 - $4).

18. Related Party Transactions and Balances (continued)

b) A total of $NIL (2018 - $18) of accounting fees and $NIL (2018 - $18) of consulting fees were charged by accounting firms where current officers of the Company are partners. As at January 31, 2019, trade and other payables included $23 (2018 - $27) payable to these accounting firms.

c) A total of $835 (2018 - $525) of salaries were paid to the various officers, directors and key members of the Company's management team.

d) The amount of stock-based compensation expense for the nine months ending January 31, 2019 granted to directors and key members of management during the year ended April 30, 2018 was $2,137 (2018 - $3,574).

e) During the nine months ending January 31, 2019 an interest free loan of $25 was made to an officer of the company, payable starting October 2018 at $1.5 per month until the debt is paid in full.

f) Pursuant to an Asset Purchase Agreement dated December 14, 2018, the Company acquired the underlying title of 54 acres of property from an officer of the Company, including the rezoning approval for cannabis production. A support letter from the town and county has been received. A complete ACMPR application is in the security and review stage. The total purchase price consideration was $1,000 and the transaction has been accounted for at its exchanged amount. In accordance with the terms of the Agreement, Canada House paid $160 in cash in February 2019. An additional $265 is payable in shares and $200 in cash. The remainder of the purchase price is to be satisfied in shares with an aggregate value of $375, subject to milestones related to completion of the project and the issuance of the first full cannabis harvest. $360 of the purchase price was allocated to Land and Accrued Liabilities. $265 of the total purchase price has been allocated to Land and Shares Payable. The balance, $375, is considered a contingent liability.

All related party transactions were in the normal course of operations, measured at the exchange amount.

19. Contingencies

a) A statement of claim was filed by a terminated employee claiming compensation for general, aggravated and punitive damages related to his dismissal. At the time of his dismissal, Canada House provided the Plaintiff with pay in lieu of notice. The Plaintiff has claimed under the principles of breach of contract and good faith for general, aggravated, and punitive damages. The Plaintiff's claim does not specify an amount. On June 15, 2017 Canada House filed a Notice of Intent to Defend and on June 25, 2017 it filed its Statement of Defense. This matter is now in the document discovery phase and

19. Contingencies (continued)

the parties are engaged in settlement discussions. The Company believes the claim to be without merit.

b) Canada House and its subsidiary, Abba Medix Corp. were served with a Statement of Claim for damages for the alleged failure to pay invoices in the amount of $200 plus pre and post judgment interest. Pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. Given that examinations for discovery have not yet occurred it is too early in the process to have a reasonable expectation or evaluation of the Plaintiff's claim, but the Company believes the claim to be without merit.

c) A statement of claim was filed by a former landlord of an MFT clinic claiming compensation for costs of leasehold improvements in the amount of $107, breach of a commercial lease in an amount to be established at trial, and punitive damages, plus interest on all unpaid amounts. The Company is in the process of engaging external counsel to file a Statement of Defence to the Claim and engage in settlement discussions.

d) The Company has claimed lost profits against a license medical cannabis producer and related medical cannabis clinic and their principals for breach of confidence, conversion, breach of contract, conspiracy and breach of trust, breach of fiduciary duty, and negligent misrepresentation in relation to Trauma Healing Centers Inc. The Defendants have counterclaimed, pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. The Company believes that the counterclaim has no basis and it is not probable that it will result in an outflow for Company.

20. Subsequent Events

Subsequent to the three months ending January 31, 2019:

a) On March 21, 2019, the Company closed a financing of units (“Units”) resulting in total gross proceeds to the Company of $3,300 (the “Offering”). Each Unit was sold at a price of $0.12 per Unit and is comprised of: (i) one common share (each a “Common Share”); and (ii) and one detachable common share purchase warrant of the Company (each, a “Warrant”). Each Warrant is exercisable into one Common Share at an exercise price of $0.30 for a period of 12 months; at an exercise price of $0.40 from 12 months to 24 months; at an exercise price of $0.60 from 24 months to 36 months; and at an exercise price of $0.80 from 36 months to 48 months following the closing date of the Offering. The Company paid finders’ fees to appropriately registered entities in respect of investors introduced to the Company by such finders in the aggregate amount of $22. The Company also issued in aggregate 182,500 warrants having terms substantially similar to the Warrants in respect of subscriptions introduced to the Company by such finders.

21. Restatement of prior period interim financial statements

In preparing the Company's condensed interim consolidated financial statements as at January 31, 2019 and for the three and nine month periods then ended, management determined that a purchase of intangible assets that became effective on August 28, 2018 was not properly accounted for. The consideration for the intangible assets (note 7) comprised of the following: cash consideration of $1,150 and share consideration of $3,500 (note 13). The Company did not consider the share consideration in determining the amount attributed to the intangible assets resulting in an understatement of Intangible Assets and Share Capital by $3,500. The resulting impact on depreciation and amortization, loss and comprehensive loss for the quarters ending July 31, 2018 and October 31, 2018 was $NIL and $292, respectively. The previously reported loss per share, basic and diluted did not change as a result. The resulting correction had no impact on the Company's previously reported condensed interim consolidated cash flow statements.